



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60
61
62
63
64
65
66
67
68
69
70
71
72
73
74
75
76
77
78
79
80
81
82
83
84
85
86
87
88
89
90
91
92
93
94
95
96
97
98
99
100

BRIEFING
TO
INCOMING ASSOCIATE MINISTER OF
TRANSPORT

PREPARED BY
THE MINISTRY OF TRANSPORT

JUNE 2009

CONTENTS

Current Directions And Future Challenges For Transport	3
Priority Areas For Transport.....	5
Other Major Policy Issues	10
Participation In International Fora	18
Risks	19
Relevant Issues For Next Six Months	20
Legislation In Development.....	21
Appendix A: The Ministry Of Transport And The Transport Sector.....	23
Appendix B: Board Appointments	33
Appendix C: Vote Transport.....	35
Appendix D: Legislative Responsibilities	37
Appendix E: New Zealand's Land Transport Planning And Funding System	39

PREPARED BY

THE MINISTRY OF TRANSPORT

JUNE 2008

CURRENT DIRECTIONS AND FUTURE CHALLENGES FOR TRANSPORT

THE CURRENT DIRECTION

The global economic downturn is having a substantial impact on the transport sector's operating environment. International travel and freight movements are decreasing significantly as a result of shrinking international trade and reduced disposable incomes. Domestic transport operators feel increasing pressures to reduce costs as commodity prices are falling on the international market.

The transport sector has a vital part to play in addressing the challenges from the current economic slowdown and the aim to lift productivity and economic growth, while pursuing a balance between economic opportunities and environmental responsibilities. Investments in transport infrastructure act as economic stimulus and as an enabler of future economic growth. The efficiency, sustainability and affordability of transport infrastructure and services will be vital for the sectors capability deal with a number of global and domestic challenges.

As a small, geographically isolated trading nation, access to secure, reliable and affordable transport networks is crucial to our future. The efficiency of our supply chain is essential to the competitiveness of our firms in international markets. Equally, the smooth functioning of our local transport systems is important to the social connectivity of our communities and families.

KEY CHALLENGES

We have identified seven key challenges facing the transport sector:

Global economic downturn and achieving economic growth

Transport has an important role to play in the aim to increase productivity and associated growth in national income, which will be central to our ability to cope with the current economic downturn and increase our economic performance in the long run. To achieve that New Zealand needs to identify ways to ensure our transport system is able to deliver people and goods to their destinations in a timely and efficient manner. The recession has also highlighted the need to make the most of our existing infrastructure as competition for funds is now tighter than ever, both domestically and internationally.

Funding investment in infrastructure and services while keeping transport affordable

Investments in transport infrastructure and services are vital to the nation's economic performance. There will be an increasing demand for travel and freight movements. The impact of this demand will be influenced by for example, the aging population, individual economic prosperity and the structure and operation of our cities and communities. These influences will affect the type of transport activities that need investment in the short, medium and long term; the level of investment needed; and ultimately the affordability of them for New Zealand, business and individuals.

It is not possible to just respond to the demand for investment. It is not affordable nor is it likely to result in effective outcomes for New Zealand. It is important to understand the societal and business trends and find the most effective and efficient investment across

all forms of transport, including effectively coordinating activities so that some travel and other investment demand can be managed.

Increases in the impacts of transport

Even if demand for travel is managed and investment is efficient and effective, without action the negative impacts of transport on the environment (air and ground pollution) and people (noise and safety) will continue to rise. This will have an overall effect on the economy.

The Ministry has an important role to play in working with the multiple players involved in addressing these challenges, ensuring that transport policy and regulation supports the development of a more efficient and sustainable transport system.

Responding to climate change, energy security and cost

During the 21st century New Zealand will face a number of changes driven directly or indirectly by climate change. Policies designed to grow the economy, while reducing emissions are already being successfully implemented here and overseas.

Transport emissions attract attention because they are increasing around the world. In New Zealand, transport accounts for 42 percent of the greenhouse gas emissions from energy use and around 18 percent of our total emissions. Transport is likely to play a major role in helping to reduce emissions, as the electricity sector already uses a high proportion of renewable energies and options currently available for emissions reductions in the agriculture sector are not viable yet.

The high per capita vehicle ownership, the high average age of the vehicle fleet and the relatively low use of public transport mean there is considerable potential for improving fuel and modal efficiency. Realising that potential would contribute to reducing emissions, increasing economic efficiency and improving New Zealand's energy security at the same time. The ability to increase fuel and modal efficiency, and increase the deployment of new technologies and fuels will be an important driver of change in this area.

Land-use development and its impact on transport demand

New Zealand's land-use is relatively low-density compared to many developed nations. Low transport costs have contributed to the development of dispersed communities, with people expecting to travel some distance to get to work or to access services.

If we are to have investment that is affordable to New Zealand's businesses and individuals, this pattern of land use is unsustainable. However, while the cost of transport fuels may rise in the future, the pattern of land-use will take longer to change. The strategic integration of land-use and transport planning processes to achieve more sustainable development patterns offers a significant opportunity to minimise transport demand generally and reduce people's reliance on cars. This will be essential to ensure that transport supports and economic objectives beyond the short-term, particularly in Auckland.

Changing demands arising from an ageing population

Between 2006 and 2020 the median age in New Zealand will rise from 35 to 40 years and the proportion of the population aged 65 years is projected to grow from 12 percent to 20 percent.

These trends raise a number of issues in terms of access. An older population will mean greater reliance on transport. The transport system available in both rural and urban areas may need to change to support the needs of the less able to ensure they can

participate fully in society and maintain ready access to essential facilities and services – particularly in respect of those unable to drive.

Global terrorism

Countermeasures to terrorist attacks have had an ongoing influence on travel since 11 September 2001. Transport systems are vulnerable to attack and are attractive targets because of the potential for casualties and for economic and social disruption. New security measures aimed at improving aviation and maritime security have been introduced around the world, often imposing considerable costs on providers and users alike. New Zealand's international trade and tourism markets rely on our international transport connections being safe and reliable, and our security systems complying with ongoing changes in international regulations and expectations. Transport sector agencies work with other government agencies, such as Customs to minimise compliance costs. They also aim to ensure our security measures are robust enough to inspire the confidence upon which our international connectivity depends.

PRIORITY AREAS FOR TRANSPORT

Withheld under section 9(2)(f)(iv) of the Official Information Act 1982.

Minister Joyce identified infrastructure/roads and road safety as immediate priority areas for the transport portfolio. Within the wider framework of a National Infrastructure Plan increased transport infrastructure investments aim to create short-term economic stimulus and to improve economic productivity. As part of the development of a Road Safety 2020 Strategy the effectiveness of current road safety regulations will be assessed and new interventions will be proposed to lower the road toll further.

Infrastructure/roads

Short-term funding

Cabinet approved the acceleration of a package of State highway infrastructure projects to help stimulate the economy on 2 February 2009. All large projects are currently on track with good progress through tendering phases. Construction on the Kōpū Bridge replacement is due to start in July 2009; Rimutaka Corner Easing, Matahorua Gorge Realignment, and the Hawke's Bay Expressway Southern Extension are all due to start construction in October 2009; and construction on the Christchurch Southern Motorway Extension is due to start March 2010. Good progress is being made on the small and medium sized activities ie projects costing less than \$4.5 million, which generally focus on State highway safety improvements and pavement renewals. To date, 83 small and medium sized projects, have been funded, and the NZ Transport Agency is continuing to identify activities to progress over 2009/10.

Government Policy Statement on Land Transport Funding 2009/10 – 2018/19

The amended Government Policy Statement on Land Transport Funding was issued on 19 May 2009. As the main government document for influencing land transport planning and funding, the Government Policy Statement has a significant effect on the future of the transport sector. It was amended to:

- make economic growth and productivity the primary objective for investment in land transport infrastructure and services

- get more efficient funding allocation
- ensure investment in transport infrastructure better reflects the modal options realistically available to New Zealanders.

The primary driver of achieving greater economic growth and productivity will be the increased level of funding for State highways - more than \$1 billion over the next three years lifting investment in State highways to 35 percent of the total annual expenditure through the National Land Transport Fund. This level of investment will be achieved by reallocating funding from non-State highway activity classes, freeing up funding by replacing \$258 million of capital investment in Wellington rail infrastructure in the National Land Transport Fund by direct Crown funding, and making national increases in fuel excise duty and road user charges of 3 cents per litre in October 2009 and again in October 2010.

National Land Transport Programme

The New Zealand Transport Agency is currently preparing the National Land Transport Programme for 2009-12. This sets out how the Agency will give effect to the GPS in its use of the National Land Transport Fund, and provides a list of projects and activities that have been prioritised for funding in the next three years. The NLTP draws on the Regional Land Transport Programmes that are prepared by Regional Transport Committees, which are due to be completed by the end of June 2009. The National Land Transport Programme will be published by the end of August 2009.

Regional Fuel Tax and 'R' funding

Regional Fuel Tax: On 16 March the government announced a transport funding package that included the repeal of the regional fuel tax legislation. As a result the Land Transport Management (Regional Fuel Tax Scheme- Auckland Region) Order has been revoked. The regional fuel tax provisions in the Land Transport Management Act are likely to be repealed in 2010 when other amendments to the Land Transport Management Act are proposed.

'R' funding: No changes to regionally distributed 'R' funding were signalled when the new GPS was released. However, we have recently provided the Minister of Transport with a briefing [WGTA11323] that reviews whether 'R' funding presents a risk to the delivery of national transport priorities.

Withheld under section 9(2)(f)(iv) of the Official information Act 1982.

Minister Joyce will be writing to the NZ Transport Agency confirming this expectation.

Roads of National Significance

On 19 March 2009, the initial list of seven Roads of National Significance was announced as a statement of national road development priorities. These are seven of New Zealand's most essential routes that require significant development to reduce congestion, improve safety and support economic growth. The Roads of National Significance are also listed in the Government Policy Statement as amended in May 2009 to ensure these priority roading developments are taken fully into account when the NZ Transport Agency develops the National Land Transport Programme.

Planning for the future development of the land transport network should reflect the importance of these roads from a national perspective and the need to advance them quickly. The National Land Transport Fund can be used for Roads of National Significance.

Withheld under section 9(2)(f)(iv) of the Official information Act 1982.

[REDACTED] All projects are currently on track, although they are at different phases of development. Roads of National Significance will be part of the 20-year National Infrastructure Plan being developed by the National Infrastructure Unit based in Treasury.

Rail Infrastructure Funding

On 01 July 2009, responsibility for rail funding will move from Treasury to the Ministry of Transport. Rail infrastructure funding will be under the following appropriations in Vote Transport:

- NZ Railways Corporation Loans (New locomotives and working capital)
- Auckland Rail Development (Auckland track electrification and DART)
- Rail Network and Rolling Stock Upgrade (National network)
- Wellington Rail Development (Track and tunnels)
- Wellington Metro rail stock and infrastructure (new trains and stations).

This funding arrangement means that all rail infrastructure funding will come from Crown appropriations and not from the hypothecated National Land Transport Fund (NLTF). During the transition period to these arrangements, some funding for Auckland stations will come from the NLTF, supported by a NZ Transport Agency grant. The Cabinet has made an in-principle decision for the Crown to own all new rolling stock. Ministry of Transport officials are investigating options for funding the new Auckland electric trains, potentially through a Public Private Partnership arrangement. In 2009/10 KiwiRail Group will receive a \$90 million operating subsidy. Ministry of Transport officials are scrutinising the KiwiRail Group business plan and undertaking a line by line analysis to evaluate the long term funding mechanism and network configuration of the rail business. It is intended that KiwiRail operates as a commercial enterprise.

Future Corporate Governance Structure of the New Zealand Railways Corporation

[REDACTED]
Withheld under section 9(2)(f)(iv) of the Official Information Act 1982.

Because significant funding decisions regarding the provision of the rail network and rail services have yet to be taken and may impact on the preferred corporate form, substantive decisions about NZRC's future corporate form are being deferred until funding decisions are finalised.

[REDACTED] Withheld under section 9(2)(f)(iv)
of the Official Information Act 1982.

Review of the Public Transport Management Act

Following the Minister of Transport's proposal to change the Public Transport Management Act to reduce the powers that regional councils have over commercial public transport operators, officials have been meeting with councils and operators and developing options for changes to the Act.

[REDACTED] Withheld under section 9(2)(f)(iv)
of the Official Information Act 1982.

Review of the Road User Charges System

The review report was released to the public on 6 May 2009. Since then the Ministry of Transport has met with stakeholder organisations, including the Automobile Association and the Road Transport Forum, to receive their feedback. A Cabinet paper is now being prepared on the Minister of Transport's proposed responses to the review recommendations.

Increase in fuel excise duty and road user charges

The transport funding package agreed in March 2009 included a decision that fuel excise duty would increase on 1 October 2009, by 3 cents a litre, with an equivalent increase in road user charges. The changes in road user charges are to take into account the findings of the road user charges review.

Road Safety

Road Safety Strategy 2020

Officials advanced the 2020 road safety strategy further and have completed the initial stakeholder engagement. Work is proceeding well on a discussion document which is planned to be released in August/September. The strategy will be completed by the end of this year and implementation will start in 2010. The document will discuss potential initiatives on the priority areas including alcohol/drugs, young drivers, roads and roadsides, speed and motorcycles. Of particular interest will be views on lowering the blood alcohol level and changes in the driver age and licensing arrangements. During the consultation phase feedback on a wide range of the topics including enforcement, education and advertising is expected.

Cellphone and other distraction issues

Withheld under section 9(2)(f)(iv) of the Official Information Act 1982.

Other distractions: Cellphones differ from other driver distractions such as the radio or talking to a passenger, because of the frequency and nature of the interaction required. Other distractions such as talking to passengers, eating or smoking can be modified during demanding traffic situations. For example, passengers are aware of the road environment and will generally stop talking during a dangerous driving situation, allowing the driver to concentrate fully. A person at the other end of the cellphone may not be aware of any potential hazards and will often continue to talk.

Enforcement: Illegal Street Racing

Illegal street racing is a problem throughout New Zealand and a significant problem in Christchurch. Illegal street racers cause excessive noise, disruption and intimidation. Over recent times the problem has also become one of public safety. On 2 June the Land Transport (Enforcement) Powers Amendment Bill and the Vehicle Confiscation and Seizure Bill had their first reading and were referred to the Transport and Industrial Relations Committee. The Committee has called for public submissions which close on 3 July. These Bills will give police and local authorities greater powers to tackle illegal

street racers. The Enforcement Powers Bill, for which the Minister of Transport is responsible, provides a strong deterrent to repeat offenders. This Bill will:

- allow local authorities to create bylaws that prevent vehicles "cruising" city streets;
- allow the compulsory impoundment of vehicles involved in illegal street racing; and
- contain tougher penalties for noise offences, failure to give driver details, licence breaches and registration plate offences.

Driver under the influence of drugs: subject of Land Transport Amendment Bill (No 4)

The Land Transport Amendment Bill (No 4) creates an offence of driving while impaired and with evidence in the bloodstream of a controlled drug (ie a drug that is classified under the Misuse of Drugs Act 1975) or a prescription medicine. The penalties for driving while impaired are aligned to the penalties for drink driving. The Bill empowers Police to determine whether or not a driver is impaired by means of a "compulsory impairment test" which tests coordination, physiological reactions and markers for drug impairment such as pupil dilation. If the test shows that the driver is impaired, it will be followed by a blood test to determine whether controlled drugs or prescription medicines are present. The Bill also confers powers on Police to forbid a person to drive, immobilise a vehicle similar to those in drink drive legislation and provides defences for persons who have consumed prescription medicines in accordance with a current prescription and instructions from the manufacturer or a health practitioner.

Compulsory third party vehicle Insurance

Third party vehicle insurance is under review by transport officials. The Ministry of Transport has recently commissioned further research into the level of private motor vehicle insurance in New Zealand. This survey will have a sample size of 4,000 people. Results are expected to be available to the Ministry at the end of September and the Minister of Transport will be provided with a summary of key findings in October 2009. Public consultation has already been held on Compulsory Third Party Vehicle Insurance. A discussion document was publicly released and a number of submissions were received. Consultation ran from 18 June 2008 to 8 August 2008. A survey was also completed which showed that the level of third party insurance in New Zealand is comparable, if not better than, jurisdictions where insurance is compulsory.

The Domestic Aviation Security Review

Following government decisions on the Domestic Aviation Security Review, the Ministry of Transport is commencing work to investigate the feasibility and implementation of flight deck barriers on 19 seat aircraft. The Ministry will work closely with the Civil Aviation Authority and airlines in undertaking this work, and will prepare a report for Cabinet consideration in November 2009. Work is also underway by the Civil Aviation Authority to commence Rule development work to implement Cabinet's decisions to require flight deck barriers on aircraft of over 30 seats and to enhance training and education requirements for airport and airline staff. The Ministry of Transport is leading work to implement Cabinet's decision to introduce security committees at 29 airports in New Zealand. Officials will provide regular progress reports.

OTHER MAJOR POLICY ISSUES

The previous section of this briefing identified some of the key challenges for New Zealand's transport system and outlined current policy work in the immediate priority areas for the transport portfolio. The following section presents some of the other key policy issues currently being addressed by the Ministry to ensure that New Zealand is able to respond effectively to the challenges that we face.

Transport funding outside the National Land Transport Programme

In addition to the National Land Transport Programme there are a number of activities or initiatives funded outside, such as SuperGold Card and the Canterbury Transport Project. A review of the latter is due to be reported back to Cabinet by the end of the year as a result of 2009 Budget decisions.

Long Term Sustainability of Revenue Streams

Most land transport revenue (that is revenue specifically for the purpose of land transport investment through the National Land Transport Fund) comes from fuel excise, road user charges and motor vehicle registration. Petrol excise is a fixed cent per litre rate and is therefore affected by the amount of petrol purchased. Road user charges revenue (RUC is paid by most non-petrol vehicle using public roads) is affected by, for example, economic conditions, and levels of compliance and efficiency gains in the transport sector.

At present the largest component of land transport revenue is petrol excise duty (PED). High oil prices, along with policies aimed at reducing dependence on fossil fuels for transport purposes, are expected to dampen growth in petrol sales and, over the longer term, lead to reductions in volumes sold. Reductions in volume can be offset by increasing the rate of duty, but this itself will further discourage petrol use, at least in the short-term.

In the long-term, other revenue sources will need to be found to supplement or substitute for excise duty on petrol. International expert opinion tends to favour greater use of revenue instruments that charge users directly for their use of the roading network. New Zealand's Road User Charges (RUC) scheme is generally recognised as a leading example of this approach.

There is potential for more use of price mechanisms to ration road use in an economically efficient way, and work has been undertaken on possibilities such as toll roads and the impact of congestion-related and other user charges in Auckland.

AUCKLAND TRANSPORT ISSUES

Ensuring a nationally and internationally connected Auckland is critical to the growth and prosperity of New Zealand. Auckland can be seen in some ways as providing a microcosm of the issues facing the transport sector as a whole.

Auckland is New Zealand's main gateway to the rest of the world - its airport and port provide two of New Zealand's major international links. Its internal road, rail and passenger transport networks link movements to these key ports from elsewhere in New Zealand, as well as enabling the movement of people and goods within Auckland.

Auckland, along with the Waikato and Bay of Plenty, is expected to continue to grow rapidly. This growth offers opportunities to increase overall productivity, which is already

higher than the national average, through economies of scale and agglomeration. It also provides an opportunity to ensure a better integration of land use and transport infrastructure. Realising the potential opportunities from growth represents the major challenge for Auckland and New Zealand.

Governance

As a single urban area with over 10 separate transport agencies, Auckland faces a number of issues with its transport governance. These matters were considered by the Royal Commission on Auckland Governance, who recommended a single unitary council covering the entire Auckland region, and a Regional Transport Authority managing transport. Cabinet agreed in principle to the consolidation of all transport functions into a Regional Transport Authority. A further paper to Cabinet is under preparation to provide for a final decision on the Auckland transport arrangements.

State Highway Construction and Roads of National Significance

Significant State highway construction is currently underway in Auckland, which will lead to the upgrading of the central motorway junction and, with the Waterview project, the completion of the Western Ring Route. There are three roads of national significance in Auckland: the Victoria Park tunnel on State Highway One, which will link the central motorway junction to the Harbour Bridge; the Waterview Connection on State Highway 20, which will largely complete the western ring route; and the Pūhoi to Wellsford section of State Highway One. The NZ Transport Agency can provide you with more detail on these projects.

The Waterview Connection

On 12 May 2009 the NZ Transport Agency Board approved its preferred option for completing the Waterview Connection, a combination of surface, cut and cover and tunnel options at an estimated cost of \$1.41 billion. Public consultation on this option closes on 31 July and the NZTA Board will consider feedback and make a final decision on 28 August 2009.

The NZ Transport Agency Board had previously selected and consulted on a twin tunnel option at an estimated cost of \$2.77 billion, however funding for the project had not been identified. On 30 January 2009 the Minister of Transport announced that alternative lower cost options for completing the Waterview Connection would be investigated by the NZ Transport Agency. Based on the range of NZ Transport Agency options, on 11 May 2009 Cabinet agreed not to provide funding for the Waterview Connection, requiring the NZ Transport Agency to prioritise the project within the National Land Transport Fund.

Even with a lower project cost, the Waterview Connection will be New Zealand's largest roading project and is likely to be called in as a project of national significance under the Resource Management Act.

Rail

Auckland is currently undergoing a major development of the rail network. This is a major priority for a number of stakeholders, particularly local authorities, in Auckland. Key components include:

- The Developing Auckland's Rail Transport network (DART) project, which is a \$600 million project, funded from Crown appropriations, to upgrade Auckland's track network, double track the western line, reopen the Onehunga line and provide a spur line to Manukau.
- The electrification of the rail network and signals upgrade, which is a \$500 million project, funded from Crown appropriations

- The purchase of electrified rolling stock, which will be a Crown project.

The DART project is approximately two-thirds complete and a major signals upgrade, which is the first phase of the electrification project, has recently begun.

Withheld under section 9(2)(f)(iv) of the Official Information Act 1982.

FREIGHT

The efficient movement of goods to, from and within New Zealand is critical to the international competitiveness of New Zealand firms and to the successful operation of our domestic economy and society as a whole. The transport modes that are used to move freight also have an impact on the level of the transport sector's greenhouse gas emissions locally and internationally and contribute to more localised environmental effects (eg air, water and noise pollution). Improving the efficiency of the transport component of New Zealand's supply chain and addressing the negative environmental impacts of transport are critical areas of focus for the Ministry.

The National Freight Demands Study (NFDS), completed in September 2008, provides the clearest understanding yet of how freight is moving throughout the country.

Heavy Vehicle Productivity Project

The transport industry has been asking for heavier and longer vehicles to be allowed to operate for some time based on the argument that this will improve productivity, bring economic benefits, assist sustainability objectives and improve safety. The Ministry is leading work to develop a permit system to allow heavy vehicles to operate outside the current statutory mass and dimension limits (specified in the Land Transport Rule - Vehicle Dimensions and Mass 2002 (VDM Rule)) on specified routes.

The Ministry has carried out trials of a selected number of operators using heavier vehicles on specified routes. The results showed significant productivity benefits as well as reduced emissions and reduced fuel use. The Ministry has also carried out, and is continuing, extensive consultation with stakeholders, industry and road controlling authorities.

A draft VDM Amendment Rule has been prepared and will be available for public consultation from 26 June. Following the consultation a final amendment will be prepared for the Minister of Transport to take to Cabinet prior to his sign-off.

Public Transport Productivity Project

In the current economic climate the Ministry is looking at ways the productivity and efficiency of the public transport system can be increased. The main focus is on looking at ways to remove barriers to greater efficiency that have been identified by key stakeholders. The Bus and Coach Association, ferry and train operators and regional councils (including the Auckland Regional Transport Authority) have provided input.

Barriers that have been identified range from operational matters, such as the delays in processing of passenger endorsements to more strategic issues (for example, the inefficient governance structure where responsibility are divided between regional councils and territorial authorities). We are initially focusing on barriers that can be

addressed in the shorter term. Bus operators believe that there is potential for cost savings, one shorter term intervention could potentially save them between \$1.1 and \$2.9 million per annum.

We have identified three priority barriers that have shorter term interventions (passenger endorsement process, lack of clarity regarding wheelchair restraints and time losses of buses when re-entering traffic). A briefing has recently gone to Minister Joyce. We are working with the NZ Transport Agency to assess the costs and benefits of interventions and will provide further advice in September.

INTERNATIONAL AND DOMESTIC AVIATION

For the aviation sector, high oil prices saw some major international airline collapses last year and more are likely. The economic downturn in key source markets for New Zealand's tourism industry and the H1N1 influenza epidemic will also have a negative impact on air transport growth rates.

With respect to domestic air transport within New Zealand, consumers are benefiting from the main-trunk competition between three jet operators. Travel by air is cost competitive and can be more fuel-efficient than travel by car. Provincial services are already provided by relatively fuel-efficient turboprop aircraft so while there has been some rationalisation of services we are unlikely to see the same jet fuel price impact as in the United States, where regional jets prevail and services are being curtailed.

In the face of high fuel costs and reductions in demand, the airline industry is seeking every means to increase its productivity and reduce supplier costs. In this regard it is particularly concerned about airport and airways charges. The airways system can also play a positive role in reducing fuel costs for the airlines through, for example, improving flight scheduling to minimise delayed landings. Airways New Zealand is proving to be a world leader in this regard.

Air Services Negotiations with the European Union

A first round of negotiations with European Commission officials towards an open aviation market between New Zealand and the European Union was held on 24 – 26 November 2008.

An air services agreement with the European Union would allow air services relationships to be established with all 27 European Union members, replacing and extending the opportunities available under the 12 bilateral agreements currently in place.

Withheld under section 9(2)(j) of the Official Information Act 1982.

TRANSPORT AND THE ENVIRONMENT

While the government's priorities are for economic growth and productivity – these will not be achieved at the expense of the environment. The government is concerned with mitigating the effects of transport on the environment in a cost-effective manner.

The Ministry's environmental work programme can be split into domestic and international policies. Domestic policies under active development include the emissions trading scheme, biofuels, electric vehicles, other alternative fuels and technologies, energy efficiency of commercial fleets, vehicle scrappage, harmful emissions, road noise and storm water runoff.

The international work programme is dominated by climate change and is discussed separately.

New Zealand Emissions Trading Scheme

The New Zealand Emissions Trading Scheme (ETS) is the key plank of New Zealand's domestic climate change policy response¹. Because it internalises the cost of carbon across all sectors and covering all gases, it creates an incentive to reduce emissions, or increase activities that sequester emissions (such as afforestation). The scheme is designed to effectively transition the New Zealand economy and society to a carbon-constrained world at least cost, while maintaining economic efficiency, equity, environmental integrity and consistency with New Zealand's international interests.

Notwithstanding any possible changes that will result from the review of the scheme, it is intended that the transport sector will enter the ETS on 1 January 2011 by the inclusion of liquid fossil fuels used in New Zealand. Participants in the ETS will include oil companies and airlines. Participants in the scheme can undertake voluntary emissions reporting during 2009 and will be required to report emissions in 2010.

Ministry of Transport officials continue to provide advice to the Ministry for the Environment on policy and implementation of the ETS in the transport sector.

Other Measures

New Zealand, like all other countries will play its part in mitigating climate change. The New Zealand ETS puts in place the basic economic signals to encourage domestic mitigation but other measures may also improve the efficiency of the response to the NZ ETS by overcoming market or institutional failures, or removing barriers to change. These other measures should only be adopted where they are of net benefit to New Zealand.

Measures that have been under active consideration in the transport sector and are discussed in turn below and include: Fuel efficiency of commercial vehicle fleets, light vehicle fuel economy, electric vehicles and biofuels.

Other areas of inter-departmental climate change work that Ministry officials are participating in include: cost of mitigating greenhouse gas emissions and adaptation to climate change.

There are also other environmental impacts of the transport task that are under active policy development, such as storm water and noise.

¹ Noting that the Emissions Trading Scheme Review Select Committee is underway and the results of this review are not yet known.

Biofuels: To ensure equal incentives for biofuels between now and 2012 the government has agreed to provide a grant to sustainably produced biodiesel. This grant is equivalent to the petrol excise duty exemption currently in place for bioethanol. \$36 million has been allocated to the grant scheme over three years. This is administered by the Ministry of Economic Development.

Other alternative fuels and technologies: The government is investigating ways of encouraging transport fuels derived from diverse sources such as biomass, landfill gas, synthetic fuels, CNG and LPG, as well as technologies that assist in the uptake of low emission fuels.

Fleet Best Practice Programme: Commercial vehicle fleet efficiency was a significant area of research during 2008. This year the Ministry is developing NZ-based curriculum for fuel efficient driver training for heavy and light commercial vehicle fleets.

Noise and storm water management: The Ministry of Transport is the lead sponsor of NZ Standards' development of a national standard for managing the effects of noise from new and altered roads. Guidelines on storm water run-off on roads are also being developed to help council planners lead best practice through the Ministry for Environment's Quality Planning Website.

RESOURCE MANAGEMENT ACT REFORM

The government has announced its intention to carry out a review of the 1991 Resource Management Act (RMA) in order to simplify and streamline its processes. Because many transport related activities are directly affected by the RMA the Ministry has an active interest in this reform process. The Ministry for the Environment (MfE) is the lead agency dealing with reform of the RMA.

Phase 1 of the RMA reform led to the development of the Resource Management (Simplifying and Streamlining) Bill. This Bill is about to be reported back to the House from the Select Committee and there is not expected to be a need for further involvement by the Ministry in this process. Following the Select Committee's consideration, few of the Bill's elements will have a direct effect on the transport sector. Several key issues such as the way land is designated for public works, including roads, have been removed from the Bill and referred to the phase 2 process.

The second phase of the RMA reform with 10 areas of work is much wider and a much longer stream than phase 1. No deadlines have been set for the conclusions of the Phase 2 work streams.

Withheld under section 9(2)(f)(iv) of the Official Information Act 1982.

Because of the breadth of the transport sector the Ministry and the transport agencies have an interest in virtually all of the ten Phase 2 work streams, but it has a direct interest in only two of these: the "Infrastructure" work stream and the "urban planning work stream". These work streams are still in the scoping phase. We are working to coordinate internal discussion, and collaborating closely with the NZ Transport Agency and also other transport agencies such as KiwiRail/ONTRACK, Maritime New Zealand and Civil Aviation.

Withheld under section 9(2)(f)(iv) of the Official Information Act 1982.

IMPROVING FUEL ECONOMY IN THE NEW ZEALAND FLEET

In 2008 a draft vehicle fuel economy standard was developed for light vehicles entering the New Zealand fleet. The proposed standard proved controversial, particularly with new vehicle importers.

Withheld under section 9(2)(f)(iv) of the Official Information Act 1982.

The New Zealand Energy Efficiency and Conservation Strategy states that New Zealand will be one of the first countries in the world to widely deploy electric vehicles. The Minister of Transport has now reconsidered this approach with a view to align New Zealand with being a fast follower or early adopter of electric vehicle technology. To this end we have looked at ways of incentivising the uptake of electric vehicles and have proposed that full electric vehicles and plug in hybrids be exempt from Road User Charges (RUC) until 2013. A Bill recommending this is progressing through the House currently.

VEHICLE PRODUCT STEWARDSHIP

It is recognised that New Zealand has one of the oldest vehicle fleets in the OECD with an average age of 12.2 years for light vehicles. Older vehicles do not have the modern safety and environmental features that are commonplace in newer vehicles and therefore pose greater problems in terms of safety and air quality.

In May 2009 the Ministry conducted a scrappage trial in Wellington and Christchurch. The aim of the trial was to determine what type of incentives might encourage vehicle owners to scrap their vehicles at the end of their economic life. The findings of the trial, and an earlier trial in Auckland 2007, will be used to examine potential options to facilitate a nationally consistent process for retirement of old vehicles that are reaching the end of their useful life. This process is known in some countries as product stewardship.

INTERNATIONAL CLIMATE CHANGE NEGOTIATIONS ON INTERNATIONAL TRANSPORT FUEL EMISSIONS

Currently, the greenhouse gas emissions from fuel used in international aviation and maritime transportation are not included in developed countries' emission reduction obligations under the climate change agreement – the Kyoto Protocol. Instead, countries negotiate through the International Maritime Organisation and International Civil Aviation Organization to progress technical, operational and economic measures that would reduce these emissions. At recent international climate change negotiations there has been an emphasis on delivering a tangible reduction target for these sectors by December 2009 (for a scheduled meeting in Copenhagen).

Given New Zealand's high dependence on international transportation for its primary industry sector and tourism, officials within the Ministry ensure New Zealand's concerns for fair and equitable solutions are represented in these international fora. In this administration, the Minister for Transport has responsibility for this area of policy development.

TRANSPORT RULES PROGRAMME

The Minister of Transport is empowered to make transport Rules on matters covering land, aviation, maritime and marine protection activities.

Each year a programme of rules is approved by cabinet. Development of rules is substantially handled by the relevant agency (NZ Transport Agency, Civil Aviation Authority, Maritime NZ) working with the Ministry. A Cabinet paper for the 2009/10 rules programme is under preparation.

In developing the programme for 2009/10, a key focus has been on looking for opportunities to make the rules process more efficient (and timely), avoid new rules that impose unnecessary compliance costs, and to shift the balance of effort more towards areas where there is considered to be a backlog.

PARTICIPATION IN INTERNATIONAL FORA

The Ministry and the Minister have involvement in a range of international organisations and fora, including those listed below. We are happy to provide detailed briefings on any or all of these groups on request. Should you wish to attend any of their meetings, we will prepare comprehensive background notes.

International Civil Aviation Organization (ICAO)

ICAO sets Standards and Recommended Practices in 18 Annexes to the Convention on International Civil Aviation (Chicago Convention) to achieve global uniformity. The Ministry is the State representative and pays New Zealand's annual assessment.

International Transport Forum (ITF)

The ITF is an inter-governmental organisation within the OECD family. Its aim is to foster a deeper understanding of the essential role played by transport in the economy and society.

General Agreement on Trade in Services/World Trade Organization (GATS/WTO)

GATS has limited coverage of the transport sector. However, under the Annex on Air Transport Services, GATS principles apply to computer reservation systems, aircraft repair and maintenance, and the sale and marketing of airline services.

Asia-Pacific Economic Cooperation (APEC)

The Transportation Working Group (TPT-WG) of APEC usually meets biannually to work towards trade liberalisation and facilitation in the transport sector, economic and technical assistance, and capacity building.

Australian Transport Council (ATC)

The ATC is largely a forum of Transport Ministers from Federal and State governments in Australia. New Zealand has observer member status, but does not vote on matters pertaining to Australian domestic issues.

International Maritime Organization (IMO)

The IMO is a specialised agency of the United Nations with 168 Member States. IMO's main task has been to develop and maintain a comprehensive regulatory framework for shipping.

RISKS

ON-GOING LITIGATION

Smith v Attorney General

This case is a challenge against the Civil Aviation Authority cancelling the hang glider rating of Mr Smith. The Minister was involved as the maker of the relevant civil aviation rules. The Minister and Civil Aviation Authority were successful in the High Court, but Mr Smith is now appealing to the Court of Appeal on the narrow legal point of whether a hang glider is an aircraft. Timing on the appeal is uncertain

Withheld under section 9(2)(a) of the Official Information Act 1982.

RELEVANT ISSUES FOR NEXT SIX MONTHS

There are a number of key issues that affect the transport portfolio over the next six months. We have briefly summarised what we consider to be the most important issues each month, but recognise that these may change subject to Ministers' priorities.

June 2009

- *Review of Passenger Security Charges* – The Aviation Security Service (Avsec) is funded by passenger security charges levied on airlines, on a per-passenger basis. These current charges have been in place since 2007. In 2008, it became apparent Avsec may be recovering passenger security charges in excess of the surplus originally forecast in 2007. In order to decide whether a review is required at this time, to adjust for any recovery of charges in excess of the original forecast surplus, the Ministry are evaluating a range of options and will report to the Minister in June.

July 2009

- *Increases in petrol excise and road user charges* – Papers will be submitted to Cabinet Legislation Committee relating to implementation of changes in rates of duty and charges

August 2009

- *Procurement of electric rolling stock* – Cabinet will need to decide on the scope of Auckland's electric rolling stock package and how it is funded. This relates to decisions on rail governance and funding, including the ownership of Auckland's rolling stock.
- *Oil Pollution Levy* - A levy is paid by sectors of the maritime community that have been identified as posing a risk of an oil spill around the New Zealand coastline. This levy is being reviewed. Approval will be sought to release a discussion document for consultation in time for a final decision on any change to be made in time for implementation in the new financial year starting 1 July 2010.

August – September 2009

- *Auckland Governance: The role and functions of the Regional Transport Authority* - Policy decisions on the role and functions of the Regional Transport Authority will be required for the third Auckland governance Bill, which is planned for introduction to parliament in October/November 2009.

October 2009

- *Funding policy under section 9(1) of the Land Transport Management Act 2003* – This section allows some fuel excise duty derived from recreational boating to be used to fund search and rescue and boating safety. A decision on section 9(1) funding policy will need to be made in time to guide decisions on funding of search and rescue and boating safety for the 2010/11 financial year.

November 2009

- *Flight deck barriers on 19 seat aircraft* – Report back for Cabinet consideration on the feasibility, costs and safety implications of flight deck barriers on 19-seat aircraft.

Second half of 2009

- *Air Services Negotiations* - The Ministry may need to seek Ministerial or Cabinet guidance on the outstanding issues in the negotiation of the NZ-EU Air Services

Agreement talks. If Japan agrees to talks about a NZ-Japan Air Services Agreement, there could be a Cabinet paper seeking approval of any outcome.

LEGISLATION IN DEVELOPMENT

Withheld under section 9(2)(f)(iv) of the Official Information Act 1982.


Land

Withheld under section 9(2)(f)(iv) of the Official Information Act 1982.

- *Land Transport Amendment Bill (No 4)*
The Bill introduces new drugged driving provisions. It also repeals and rewrites the current legislation covering the motor vehicle register and makes changes to protect personal information contained on that register. In addition, the Bill extends the expiry date for the Transport Act 1962. It is in its final stages as it needs to be passed by 30 June 2009.
- *Land Transport (Enforcement Powers) Amendment Bill*
This Bill makes a number of changes to the Land Transport Act to improve enforcement measures in relation to illegal street racing and related antisocial behaviour. This Bill was introduced on 26 May 2009 and has been referred to the Transport and Industrial Relations Select Committee.
- *Road User Charges Amendment Bill*
This is a small Bill to enable electric vehicles to be exempted from road user charges. It also provides for road user charges for heavy vehicles to expire one month after a change in rates and for six weeks' notice to be provided of rate changes. This Bill is proposed for introduction in June.

Withheld under section 9(2)(f)(iv) of the Official Information Act 1982.

Withheld under section 9(2)(f)(iv) of the Official Information Act 1982.



APPENDIX A: The Ministry of Transport and the Transport Sector

MINISTRY FUNCTIONS

As the government's principal adviser on transport policy, the Ministry is responsible for:

- providing impartial, expert advice to the government to help it meet its objectives for transport
- advice on legislative, regulatory and policy settings, funding levels and priorities government agency governance, performance and accountability
- the Ministry also represents transport interests internationally

Operational services in the transport sector are primarily administered and delivered by the transport Crown entities, which work closely with the Ministry of Transport and local government. The Crown entities will report to you separately about their operations.

In addition to its core policy and monitoring roles, the Ministry also has responsibility for some operational functions, including:

- collecting and refunding road user charges and fuel excise duty²
- licensing foreign international airlines flying to and from New Zealand
- operating Milford Sound/Piopiotahi Aerodrome
- overseeing the Crown's interest in joint venture airports
- administering a contract with the Meteorological Service of New Zealand for the provision of public weather warnings and forecasts.

There are a number of transport issues that fall outside the Ministry's realm of responsibility, but which are still important in the sector and, as such, of interest to us. For example, the government's interest in Air New Zealand, of which it is the majority shareholder, is largely outside the Ministry's portfolio responsibility. However, we maintain a close watch on developments relevant to the airline and retain open channels of communication with key stakeholders in the industry.

Ministry Staffing

Ministry staff are spread between small offices in Christchurch and Auckland and the larger Head Office in Wellington. The Ministry's staff profile is as follows:

- 186 staff
- 178.64 FTE
- 4 Vacancies
- 16.46 percent turnover

VOTE Transport

The Minister of Transport is accountable for appropriations in Vote Transport totalling \$3.28 billion in 2009/10. In addition, the Minister is responsible for the collection of Crown revenue totalling almost \$1 billion in the financial year.

The majority of the expenditure is funded by the revenue collected from road taxes which is hypothecated to Vote Transport via legislation.

² Service delivery provided through NZTA via a service level agreement.

Appendix C provides a detailed breakdown of the Vote. The Ministry has a total budget of \$52.289 million, excluding capital, of which approximately \$18 million goes to the NZTA for managing motor vehicle registrations. A summary of the appropriations for Vote Transport is:

Appropriation Type	\$m
Departmental Output Expenses	52.289
Capital Expenditure to be incurred by the Department	0.800
Non - Departmental Outputs	1,514.508
Non - Departmental Other Expenses	26.813
Non - Departmental Capital Expenditure	1,247.753
Multi Year Appropriations - Non - Departmental Other Expenses	441.196
Multi Year Appropriations - Non - Departmental Capital Expenditure	0.489
Total	\$ 3,283.848

Financial Reporting Procedures to the Minister

Currently the Ministry's financial operations are reported to the Minister of Transport as part of the quarterly output report.

MINISTRY LEADERSHIP TEAM

The Ministry is currently going through a reorganisation process which will result in changes to the membership of the Ministry Leadership Team (MLT). Details of the changes will be advised to you separately.

Current MLT members are:

Martin Matthews: Chief Executive



As Chief Executive, I have overall responsibility for the performance of the Ministry. My challenge is to lead the Ministry's staff and the transport sector as a whole, to ensure it is working towards the government's vision of providing New Zealand with an affordable, integrated, safe, responsive and sustainable transport system.

John Bradbury: Deputy Chief Executive



As Deputy Chief Executive, John Bradbury has an integrating role with a whole-of-Ministry and a whole-of-sector perspective. The responsibilities of his group include the Ministry's profile in Auckland and the governance and monitoring of the transport Crown entities. John also holds an advisory and leadership role on international transport relationships.

Wayne Donnelly: Acting General Manager - Strategy and Sustainability



Wayne Donnelly currently leads the Strategy and Sustainability Group, which works to set the strategic direction and frameworks for the transport sector. This includes developing high-level strategies such as the NZTS. The Group includes research, statistics and economic analysis experts who examine transport outlook and trends. Wayne also has responsibilities for sector development and leadership.

Liz Anderson: General Manager - Land Transport Investment and Development



Land transport investment and development is a key priority, as signalled by the recent *Next Steps Review of the Land Transport Sector*. This Group is well placed to assist with improving this aspect of New Zealand's transport system by developing policy for land transport investment and planning, access and mobility, revenue and charging, and land transport economic policy.

David Crawford: General Manager - Land Transport Environment and Safety



David Crawford leads the Group responsible for land transport safety and environmental outcomes. The deliverables for this Group include establishing, monitoring and maintaining a strategic policy framework for land transport environment and safety. This includes policy and legislative responsibilities for road and rail policy; the development of vehicle, driver and commercial transport licensing and user and vehicle standards; as well as transport climate change policy for land, aviation and maritime.

Bruce Johnson:



General Manager - Aviation, Maritime and Security

Bruce Johnson leads a Group which creates, monitors, and maintains policy frameworks and develops legislation for aviation, maritime and transport security. The Group is responsible for international relationships, including the negotiation and maintenance of air services agreements with other countries. The Group also led the development of *Sea Change: the domestic sea freight strategy* and includes the Sea Freight Development Unit.

Claire Johnstone:

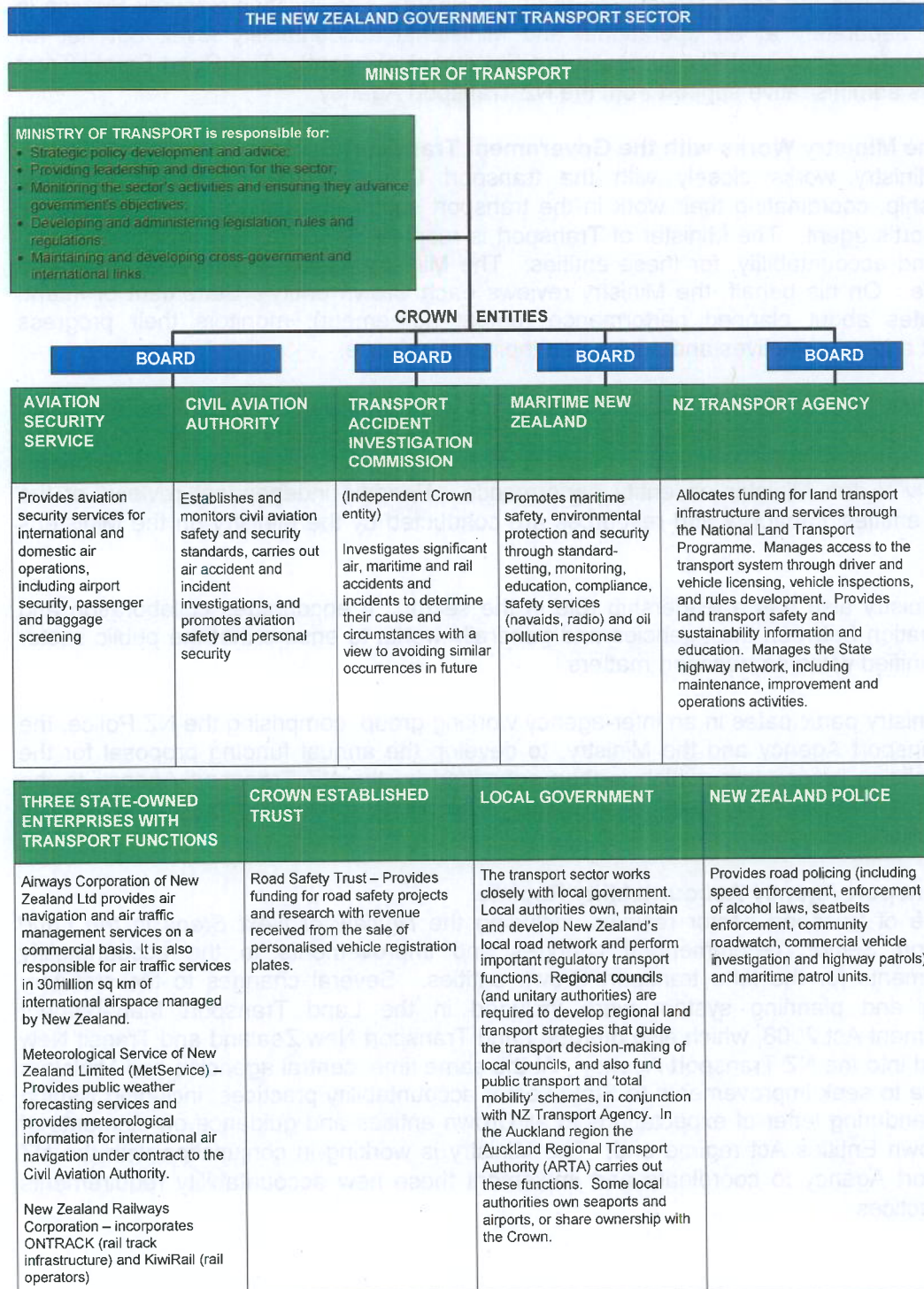


General Manager - Corporate

Claire Johnstone leads the Corporate Group responsible for the core functions of Finance, Communications, Human Resources, Legal, Administration, Information Technology, Audit Risk, Ministerial Correspondence, Minister's Office Staffing and Stakeholder Engagement. This Group also oversees corporate planning, performance and reporting, and transport sector budget and financial management.

OVERVIEW OF THE TRANSPORT SECTOR

The New Zealand government transport sector is comprised: the Minister of Transport; the Ministry of Transport; five Crown entities; three state-owned enterprises; and one Crown established Trust. The Minister of Transport is directly responsible for the Crown entities and the Trust, and their functions and responsibilities are briefly outlined below.



Each of the Crown entities has a Board, appointed by the Minister of Transport, to administer its functions as set out in legislation, or in the case of the Road Safety Trust, a trust deed. These organisations are primarily responsible for the delivery of government activities in the transport sector. Details of Board members and their terms of appointment are contained in Appendix B of this Briefing. Note that the Aviation Security Service is not a separate Crown entity; it is part of the Civil Aviation Authority and its Committee has the same makeup as the CAA Board. The Aviation Security Service is treated separately at an operational and Ministerial accountability level, but not for Parliamentary accountability purposes (eg Statement of Intent). The Road Safety Trust receives administrative support from the NZ Transport Agency.

How the Ministry Works with the Government Transport Sector

The Ministry works closely with the transport Crown entities, providing strategic leadership, coordinating their work in the transport sector and acting as the Minister of Transport's agent. The Minister of Transport is responsible for the Crown's relationship with, and accountability, for these entities. The Ministry assists the Minister discharge this role. On his behalf, the Ministry reviews each Crown entity's Statement of Intent, negotiates about planned performance (output agreement), monitors their progress against agreed objectives and advises on their performance.

In addition to each Crown entity's Statement of Intent and output agreement, the broad expectations of the relationship between the Minister, the Ministry and the Crown entity are set out in a series of Minister's Letters of Expectations. Crown entity boards report quarterly to the Minister on entity performance. Periodic independent reviews of the Crown entities' capability and resources are conducted by the Ministry on the Minister's behalf.

The Ministry also has a leadership role in the sector. It encourages collaboration and coordination between the agencies and generally works to ensure that the public sector has a unified voice on transport matters.

The Ministry participates in an inter-agency working group, comprising the NZ Police, the NZ Transport Agency and the Ministry, to develop the annual funding proposal for the road policing programme, which is then submitted by the NZ Transport Agency to the Minister of Transport for statutory approval. The Ministry also monitors the delivery of road policing services.

NZ Transport Agency Accountability Regime

A range of transport sector reviews, including the *Review of Next Steps in the Land Transport Sector*, recommended changes and improvements to the accountability requirements for the land transport Crown entities. Several changes to the statutory funding and planning system were included in the Land Transport Management Amendment Act 2008, which also merged Land Transport New Zealand and Transit New Zealand into the NZ Transport Agency. At the same time, central agencies and Ministers continue to seek improvements to State sector accountability practices, including issuing a new enduring letter of expectations to all Crown entities and guidance on elements of the Crown Entities Act regime and. The Ministry is working in conjunction with the NZ Transport Agency to coordinate and implement these new accountability requirements and practices.

The Transport Modes

The following paragraphs provide a general overview of the role of government in the transport sector, along with some more general information on each mode.

Aviation

The government's role in the aviation sector includes its international role through membership of the International Civil Aviation Organization; as policy maker; and economic, safety and security, regulatory and operational roles through the Ministry, the Civil Aviation Authority and the Aviation Security Service. The government is involved in joint venture agreements with local authority companies for seven domestic airports. Hawke's Bay Airport, currently a Joint Venture, is due to become a corporation from 1 July 2009. The Ministry operates the aerodrome at Milford Sound/Piopiotahi. The government also has the majority shareholding in Air New Zealand. The aviation sector largely operates on a user-pays basis.

A number of local authorities have an ownership role in airport companies, with the two major international airports (Auckland and Christchurch) traded on the Stock Exchange.

Maritime

The government's role in the maritime sector includes its international role through membership of the International Maritime Organization; as policy maker; and a regulatory role through agencies such as Maritime New Zealand. Domestic sea freight is moved through a mix of New Zealand operated and internationally operated ships under coastal trading law (s198 of the Maritime Transport Act).

Work by the Ministry in this mode is currently focused on reducing regulatory barriers and obstacles that may impede sector development, rather than industry funding assistance, and on improving the data available to inform the Ministry's advice.

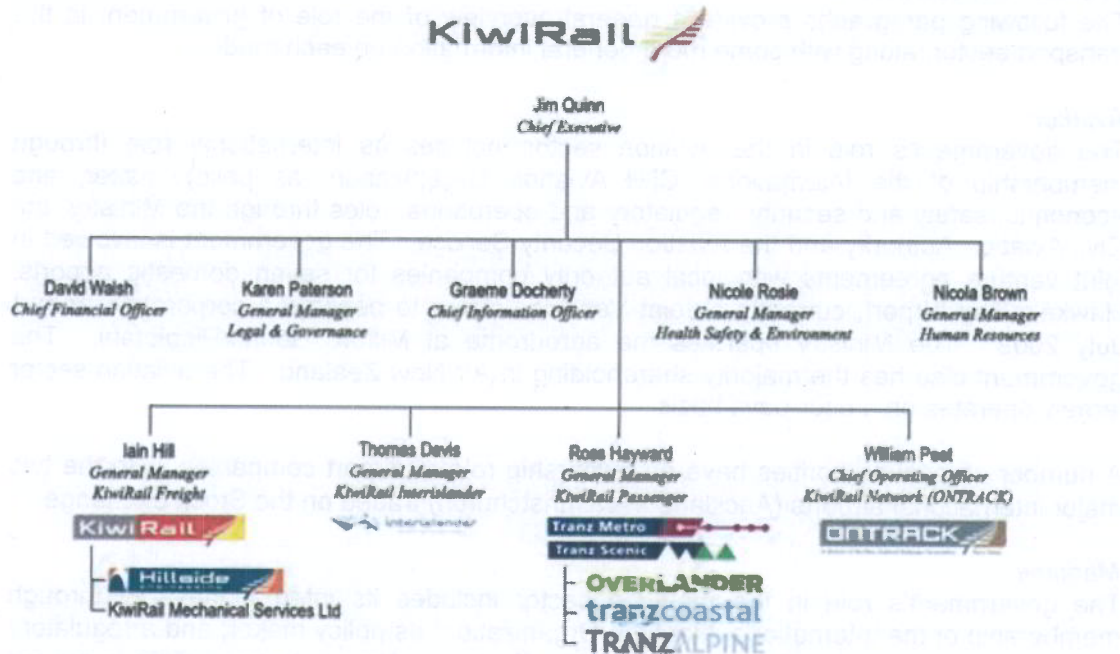
While the government does not have an ownership role in the port sector, local authorities have a significant ownership role in all New Zealand's port companies. There is a limited amount of private sector ownership in some port companies. The Southport, Lyttelton and Tauranga port companies are traded on the Stock Exchange. The efficient operation of the port sector is critical to our export and import industries, and therefore to our economic performance, in which the government has considerable interest.

Rail

With the purchase of the Toll rail business in July 2008 the Crown now owns all the elements of the major rail business. New Zealand Railways Corporation (NZRC) (operating as KiwiRail Group) is a state owned enterprise with a number of subsidiary companies.

The current focus of rail policy work is on meeting public transport rail requirements in Auckland and Wellington and placing NZRC on a more commercial footing to reduce its reliance on Crown financial assistance.

A diagram of the KiwiRail structure is attached:



Road

The government has ownership of and fully funds the State highway network. Most other roads (local roads) are owned by local councils and funded locally, with funding assistance (55 percent on average) from government³. The government has a policy and regulatory role in the operation of the broader roading network (eg setting signage and marking standards, and speed limit setting procedures). The government also determines road user requirements including driver and operator licensing standards and setting motor vehicle safety and environmental standards.

Access to economic and social opportunities through public transport, walking and cycling

The government has a policy and regulatory role in passenger transport activities (eg licensing of passenger transport operators). Planning public transport services in New Zealand is delegated to regional councils. Territorial authorities, the Auckland Regional Transport Authority (ARTA) and central government agencies (for State highways and rail) are responsible for public transport infrastructure. The majority of public transport services are provided by the private sector either under contract to a regional council (with funding from the National Land Transport Programme and rates), or commercially at the initiative of the operator ('commercial services'). The government also indirectly provides passenger rail services in Wellington, and long distance passenger rail services. Currently about 80 percent of services are contracted services, and 97 percent of public transport services are in Auckland, Wellington or Christchurch.

Walking and cycling are a key part of most transport journeys in New Zealand. Therefore not only do they contribute to participation in economic activity (such as getting people to work) they can also make a significant contribution to a number of initiatives for improving health and physical activity and reducing emissions.

³ There are some Crown-owned roads, such as those providing access to ski fields, on Department of Conservation land.

THE ROLE OF LOCAL GOVERNMENT

Regional councils and local authorities manage transport infrastructure, develop local transport policy, and provide public transport services within their own areas of responsibility. As such, territorial authorities are important players in the transport sector and it is important that central and local government work together in the planning, funding and delivery of transportation throughout New Zealand.

THE ROLE OF THE PRIVATE SECTOR

The private sector is a major contributor to the operation of the transport modes and its impact on the achievement of outcomes should not be underestimated. Significant private organisations (eg Fonterra) have direct interests in a safe, reliable and sustainable transport system. They can make choices that have a significant impact on the nature and direction of demand for transport infrastructure.

The Ministry is looking to engage more effectively with private sector stakeholders and has small stakeholder relationship teams based in Auckland, Wellington and Christchurch.

GOVERNMENT PRIORITIES

The new government's key priority is economic growth and productivity. The Government Policy Statement on Land Transport Funding states that the government in general terms supports the overall intent of the NZTS, but considers that moving too quickly on modal shift will have a negative impact on environmental and economic efficiency. This new direction has resulted in changes to land transport funding, through the new GPS.

The GPS also states that a new forward plan for transport will be developed over the next three years. The scope of this work has not been decided, but it may present an opportunity for the government to set out its medium-term transport priorities for areas of activity other than land transport funding.

NEW ZEALAND TRANSPORT STRATEGY

In August 2008, the *New Zealand Transport Strategy 2008* (NZTS) was published by the previous government. The document has no statutory weight, but was developed to provide a long-term direction for transport to 2040 and a greater degree of strategic leadership to the transport sector. The development of the NZTS was based on wide consultation with the transport sector.

Specifically, the NZTS set out a series of targets that the government wished to achieve by 2040. These targets spanned the five transport objectives set out in the Land Transport Management Act, ie:

- assisting economic development
- assisting safety and personal security
- improving access and mobility
- protecting and promoting public health
- ensuring environmental sustainability.

The NZTS made clear the previous government's view that although these objectives in legislation are not weighted, there should be a focus in the short to medium term on achieving better environmental outcomes, such as by addressing climate change. The strategy adopted ambitious targets, amongst others, for modal shift from cars to public transport, cycling and walking, and for freight from trucks to rail and sea.

In addition, the NZTS identified seven areas for priority action – the key components of the strategy, which were:

- integrated planning
- making best use of existing networks and infrastructure
- investing in critical infrastructure and the transport sector workforce
- increasing the availability and use of public transport, cycling, walking and other shared and active modes
- considering options for charging that will generate revenue for investment in transport infrastructure and services
- using new technologies and fuels
- maintaining and improving international links.

The provision of a long term direction was generally welcomed and appreciated by the sector, even though there was not a complete consensus over whether the targets and interventions within the NZTS represented the best approach.

APPENDIX B: Board Appointments

Transport Crown Entity Board Membership

New Zealand Transport Agency	Term Ends	First Appointed
Brian Roche (Chair)	30 June 2011	1 August 2008
Garry Moore	30 June 2011	1 August 2008
Paul Fitzharris	30 June 2011	1 August 2008
Bryan Jackson	30 June 2011	1 August 2008
Grahame Hall	30 June 2011	1 August 2008
Alick Shaw	30 June 2011	1 August 2008
Christine Caughey	31 July 2010	1 August 2008
Vacancy		

Maritime New Zealand	Term Ends	First Appointed
Susan Staley (Chair)	30 November 2009	(3 rd term) 1 December 2007
David Morgan (Deputy Chair)	9 October 2009	(2 nd term) 9 October 2006
Ken Gilligan	30 October 2008 ⁴	(2 nd term) 9 October 2006
Adrienne Young Cooper	30 November 2010	(2 nd term) 1 December 2007
Michael Ludbrook	31 October 2009	9 October 2006

Civil Aviation Authority	Term Ends	First Appointed
Rick Bettle (Chair)	30 September 2009	5 October 2006
Errol Millar (Deputy Chair)	30 April 2010	5 April 2007
Darryll Park	30 November 2010	(3 rd term) 1 December 2007
Susan Hughes	30 November 2010	(2 nd term) 1 December 2007
Ross Crawford	30 April 2010	5 April 2007

Road Safety Trust	Term Ends	First Appointed
Yvonne Sharp (Chair)	30 November 2010	1 December 2007
Robin Morton	30 May 2011	1 June 2008
Alicia Gainsford	30 June 2011	1 July 2008
Geoff Dangerfield	Not Applicable	Not Applicable (NZTA)

Transport Accident Investigation Commission	Term Ends	First Appointed
Hon Bill Jeffries (Chief Commissioner)	30 September 2008 ⁵	(4 th term) 16 October 2006
Pauline Winter (Deputy Chief Commissioner)	30 November 2009	(4 th term) 1 December 2007
Bryan Wyness	30 November 2010	(2 nd term) 1 December 2007

⁴ Continues in his role under Section 32(3) of the Crown Entities Act 2004.

⁵ Continues in his role under Section 32(3) of the Crown Entities Act 2004.

Maritime Appeal Authority	Term Ends	First Appointed
Garry Leslie Evans	31 December 2010	(2 nd term) 1 January 2008

Aviation Medical Convener	Term Ends	First Appointed
Dr Martin Peterson (Convener)	24 April 2011	24 April 2009
Dr David Black (Deputy Convener)	12 August 2010	13 August 2007

Oil Pollution Advisory Committee	Term Ends⁶	First Appointed
Catherine Taylor (Chair)		1 September 2007
Ray Barlow		21 September 1997
Peter Dawson		16 April 1996
Vacant – Department of Conservation Representative ⁷		
Tikitū Tutua-Nathan		1 September 2007
Captain Stephen Parker		15 July 2008
John Pfahlert		1 September 2007
Mike Pryce		
Doug Watson		1 September 2007
Peter Williams		2005
Ian Williams		
Warren Tuckey		15 July 2008
Vacancy – Ministry for Environment Representative ⁸		

⁶ Terms expire when members change jobs or resign.

⁷ Note: nomination process has commenced.

APPENDIX C: Vote Transport

Departmental Outputs

In 2009/10, the Ministry's departmental output appropriations are as follows;

Departmental Outputs	\$m
Policy advice, including rules development	31.366
Sector Leadership and Support	1.950
Land Transport revenue forecasting and strategy	1.000
Road User Charges collection, investigation and enforcement	17.344
Refund of fuel excise duty	0.429
Milford Aerodrome operation	0.200
Total	\$52.289

Non-Departmental Outputs

The non-departmental outputs (totalling \$1,514 million) administered by the Ministry for operating funding are:

	\$m
New Zealand Transport Agency	
Administration of Transport Concessions for SuperGold cardholders	0.700
Canterbury Transport Project	10.000
Licensing Activities	2.475
Motor Vehicle Registry	35.991
Regional Development Transport Funding	10.000
Regulatory Implementation & Enforcement	0.548
NLTP - Demand Management and Community Programmes PLA	47.000
NLTP - Maintenance and Operation of Local Roads PLA	245.000
NLTP - Maintenance and Operation of State Highways PLA	287.000
NLTP - Management of Funding Allocation System PLA	36.000
NLTP - New and Improved Infrastructure for Local Roads PLA	196.000
NLTP - Public Transport Infrastructure PLA	27.000
NLTP - Public Transport Services PLA	201.000
NLTP - Rail and Sea Freight PLA	2.000
NLTP - Renewal of Local Roads PLA	222.000
NLTP - Sector Training and Research PLA	6.000
NLTP - Transport Planning PLA	37.000
NLTP - Walking and Cycling Facilities PLA	16.000
Maritime New Zealand and others	
Maritime Safety Regulation and Monitoring	5.689
Search and Rescue Activities	7.188
Meteorological Services of New Zealand	
Weather Forecasts and Warnings	18.573
Transport Accident Investigation Commission	
Reporting on Accident or Incident Investigations	3.938
ONTRACK	
Waikato Rail Funding	5.000
NZRC Operating Support	90.000

Aviation Security Service	
Maritime Security	0.145
Civil Aviation Authority	
Civil Aviation Policy Advice	2.261
	1,514.508

The majority of the non-departmental funding goes into the National Land Transport Fund (NLTF) by way of Permanent Legislative Authority (PLA). These appropriations are prefixed NLTP and match the activity classes included in the GPS.

The Motor Vehicle Registry costs are funded from a range of motor vehicle licence and fee revenues.

Capital Investment in Organisations other than Departments

Of the \$1,247 million there are four main components

- \$930 million for the New Infrastructure for and Renewal of State Highway PLA.
- \$146 million for Wellington rail rolling stock and infrastructure projects
- \$85 million for a loan to New Zealand Railways Corporation
- \$74 million for the Accelerated State Highway Construction Programme (part of the fiscal stimulus package)

Other Expenses on Behalf of the Crown

Of the \$27 million, the main component is \$17 million to fund the cost of providing SuperGold cardholders with reduced price public transport.

Multi Year Appropriations

\$441 million is provided in 2009/10 for multi year appropriations. The majority of this is for expenditure on rail infrastructure.

Revenue

The main elements of Crown revenue controlled by Vote Transport are forecast to be as follows for 2009/10:

Tax Revenue	\$m
Motor Vehicle Registration	167
Road User Charges	885
Fuel Excise Duty Refunds	-79
Total	\$ 973

The NZ Customs Service is responsible for collecting \$1,416 of fuel excise duty that is also hypothecated into the NLTF.

This revenue is forecast on a six-monthly basis. Any increase or decrease is matched by a corresponding increase or decrease in the expenditure from the National Land Transport Fund. These adjustments are processed through the baseline updates.

APPENDIX D: Legislative Responsibilities

The Ministry of Transport is charged with administering the Acts and Regulations listed below.

Legislation

Air Facilitation Act 1993 (provisions now deemed part of the Immigration Act 1987 administered by the Department of Labour)
Air Facilitation (Domestic Passengers and Cargo) Act 1994
Airport Authorities Act 1966
Auckland Airport Act 1987
Civil Aviation Act 1990
Customs Law Act 1908
Land Transport Act 1998
Land Transport Management Act 2003
Maritime Security Act 2004
Maritime Transport Act 1994
Meteorological Services Act 1990
Port Companies Act 1998
Public Transport Management Act 2008
Railways Act 2005
Road User Charges Act 1977
Ship Registration Act 1992
Shipping Act 1987
Submarine Cables and Pipelines Protection Act 1996
Taranaki Harbours Act 1965
Government Rooding Powers Act 1989 (called Transit New Zealand Act until 1 August 2008)
Transport Accident Investigation Commission Act 1990
Transport Act 1962
Transport (Vehicle and Driver Registration and Licensing) Act 1986
Waterfront Industry Restructuring Act 1989
Wellington Airport Act 1990

The following Acts were passed during the 2008/09 year (so far):

2008-47 Land Transport Management Amendment Act 2008
2008-87 Public Transport Management Act 2008

Major Statutory Regulations

Airport Authorities (Airport Companies Information Disclosure) Regulations 1999
Carriage by Air (New Zealand Currency Equivalents) Notice (No 2) 1998
Civil Aviation (Aeronautical Information Service) Levies Order 2001
Civil Aviation Charges Regulations (No 2) 1991
Civil Aviation (ANZA Mutual Recognition Agreement) Order 2007
Civil Aviation (Offences) Regulations 1997
Civil Aviation (Safety) Levies Order 2002
Engine Drivers' Examination Regulations 1952
Foreshore Licence Regulations 1960
Heavy Vehicle Regulations 1974
Land Transport (Approved Laboratory and Analyst in Charge) Notice 2000
Land Transport (Assessment Centre and Accident Report Fees) Regulations 1998
Land Transport (Certification and Other Fees) Regulations 1999

Land Transport (Driver Licensing and Driver Testing Fees) Regulations 1999
 Land Transport (Driver Licensing) Rule 1999
 Land Transport (Infringement and Reminder Notices) Regulations 1998
 Land Transport (Offences and Penalties) Regulations 1999
 Land Transport (Ordering a Vehicle off the Road) Notice 1999
 Land Transport (Requirements for Storage and Towage of Impounded Vehicles) Regulations 1999
 Land Transport (Road User) Rule 2004
 Land Transport (Storage and Towage Fees for Impounded Vehicles) Regulations 1999
 Land Transport (Traction Engine Safety) Regulations 2006
 Land Transport Management (Apportionment and Refund of Excise Duty and Excise-Equivalent Duty) Regulations 2004
 Land Transport Management (Road Tolling Scheme for ALPURT B2) Order 2005
 Marine Protection (Offences) Regulations 1998
 Marine Safety Charges Regulations 2000
 Maritime (Offences) Regulations 1998
 Maritime Security Regulations 2004
 Maritime Security (Designated Authority) Order 2004
 Maritime Security (Maritime Security Organisations) Order 2004
 Maritime Transport Act (Conventions) Order 1994
 Maritime Transport (Certificates of Insurance) Regulations 2005
 Maritime Transport (Fund Convention) Levies Order 1996
 Maritime Transport (Infringement Fees for Offences Relating to Major Maritime Events) Regulations 1999
 Maritime Transport (Marine Protection Conventions) Order 1999
 Maritime Transport (Maximum Amounts of Liability for Pollution Damage) Order 2003
 Notice of Direction to Require Screening 2002
 Oil Pollution Levies Order 1998
 Railways Regulations 2008
 Road User Charges (Rates) Order 2008
 Road User Charges Regulations 1978
 Ship Registration (Fees) Regulations 1992
 Shipping (Charges) Regulations 2000
 Submarine Cables and Pipelines Protection (Tui Area Development) Order 2007
 Submarine Cables and Pipelines Protection (Kupe Gas Project) Order 2008
 Submarine Cables and Pipelines Protection (Maari Development) Order 2008
 Traffic Regulations 1976
 Transport (Breath Tests) Notice 1989 (No. 2)
 Transport (Change of Ownership) Regulations 1995
 Transport (Towage Fees) Notice 2004
 Transport (Vehicle Registration and Licensing) Regulations 1994
 Transport Services Licensing Regulations 1989

Rules

The Minister makes ordinary transport rules, which generally deal with more detailed and technical requirements for the transport system. The New Zealand Transport Agency, Maritime New Zealand and the Civil Aviation Authority administer these rules. Cabinet signs off on a Rules Programme each year, which is intended to be presented in July 2009 for the 2009/10 year.

APPENDIX E: New Zealand's Land Transport Planning and Funding System

This appendix summarises parts of New Zealand's land transport planning and funding system, and describes some of the mechanisms and levers which the Minister of Transport can use to influence the system. A more comprehensive briefing can be prepared.

The statutory framework for land transport planning and funding in New Zealand

The Land Transport Management Act 2003

Much of New Zealand's land transport system is planned, funded and delivered by central and local government. The Land Transport Management Act 2003 (LTMA) is the main transport planning and funding statute. Two of the other key relevant Acts are the Local Government Act 2002 and the Resource Management Act 1991.

The LTMA provides the framework for allocating central government funding to land transport activities (projects and services), such as State highways, local roads and public transport services, and the associated planning processes. These activities are delivered by regional councils and city/district councils ("approved organisations") and the NZ Transport Agency (using private sector contractors). The NZ Transport Agency is the Crown entity responsible for allocating funding as well as delivering its own activities, such as those relating to the construction and maintenance of the State highways.

The revenue for land transport comes mostly from road users through fuel excise (petrol tax), charges on diesel and heavy vehicles (Road User Charges) and vehicle licensing and registration charges. The LTMA hypothecates, or reserves, this revenue in the national land transport fund for land transport purposes. Local government also contributes a significant portion of the cost of its land transport activities from rates (property tax) and borrowing. This contribution is known as the local share. Other sources of revenue will also be used in the future including regional fuel taxes and tolling.

The LTMA is a substantial piece of legislation and, in places, technical and prescriptive. Following amendments in 2008, the LTMA:

- establishes the national land transport fund that sets aside funding for land transport purposes
- provides for a number of statutory documents including:
 - strategic documents which set out national and regional transport outcomes (the GPS, regional land transport strategies and the national land transport strategy)
 - regional and national programming documents that set out what activities should be funded to deliver on the outcomes in the strategy documents (regional land transport programmes and the national land transport programme)
- sets out the processes that must be followed when land transport activities are funded by the NZ Transport Agency
- allows alternative funding mechanisms (tolling of new roads, roading concession agreements (PPPs) and regional fuel taxes)
- establishes the NZ Transport Agency and sets out a number of specific accountability arrangements (the Crown Entities Act 2004 sets out the general accountability arrangements for the Agency)

- establishes the regional council committees that prepare the regional strategies and programmes and sets out their membership requirements and functions (regional transport committees).

Government Policy Statement

The Government Policy Statement on Land Transport Funding (GPS) is a key government document for influencing the planning and funding of land transport. The Minister of Transport issues a GPS every three years which enables it to inform the local government three year planning cycle and the development of the National Land Transport Programme.

The GPS details the government's desired outcomes and funding priorities for the land transport sector. It covers the period 2009/10 to 2014/15 and more indicatively for a further four years to 2018/19. This includes the impacts the government wishes to achieve, how it will achieve these by funding certain activity classes, how much funding will be provided for land transport and how this funding will be raised. Some of the key features of the GPS are set out below.

Table 1: Activity class funding ranges 2009/10 – 2018/19

Activity class	Alloca-tions	Funding ranges						Forecast funding ranges			
	08/09 \$M	09/10 \$M	10/11 \$M	11/12 \$M	12/13 \$M	13/14 \$M	14/15 \$M	15/16 \$M	16/17 \$M	17/18 \$M	18/19 \$M
New & improved infrastructure for State highways	864	800 1150	825 1150	850 1150	875 1150	900 1175	950 1200	950 1275	975 1300	1000 1325	1025 1350
Renewal of State highways	202	190 230	190 230	200 240	210 250	220 260	240 280	250 290	260 300	280 320	290 330
Maintenance & operation of State highways	279	270 335	280 345	280 345	300 365	320 385	330 395	350 415	370 435	390 455	410 475
New & improved infrastructure for local roads	231	150 250	150 250	150 250	175 275	175 275	175 275	200 300	200 300	200 300	200 300
Renewal of local roads	216	200 240	210 250	220 260	230 270	240 280	250 290	270 310	280 320	300 340	310 350
Maintenance & operation of local roads	237	200 265	210 275	220 285	230 295	250 315	260 325	280 345	290 355	310 375	330 395
Road policing	283	285 295	295 305	305 314	315 325	325 335	335 345	340 350	355 365	365 375	375 385
Public transport services	191	185 215	195 225	205 235	220 250	230 260	240 270	255 285	270 300	280 310	295 325
Public transport infrastructure	144	20 70	20 70	20 70	20 70	20 70	20 70	25 80	25 80	25 80	25 80
Demand management & community programmes	55	40 55	40 55	40 55	40 55	40 55	40 55	40 60	40 60	40 60	40 60
Walking & cycling facilities	18	10 25	10 25	10 25	10 28	10 28	10 28	12 30	12 30	12 30	12 30
Sector training & research	6	5 7	5 7	5 7	5 7	5 8	6 8	6 8	6 8	6 8	6 8
Domestic sea freight development	6	0 2	0 1	0 1	-	-	-	-	-	-	-
Rail & sea freight	2	0 2.5	0 1	0 0.5	-	-	-	-	-	-	-
Transport planning	39	34 40	32 38	30 36	30 35	30 35	30 35	30 35	30 35	30 35	30 35
Management of the funding allocation system (including performance monitoring)	38	33 39	31 38	29 35	32 36	33 37	34 38	35 39	36 40	38 42	39 43

**Target National Land Transport Programme expenditure 2009/10 – 2018/19;
maximum and minimum expenditure 2009/10 – 2011/12**

	09/10 \$M	10/11 \$M	11/12 \$M	12/13 \$M	13/14 \$M	14/15 \$M	15/16 \$M	16/17 \$M	17/18 \$M	18/19 \$M
Expenditure target	2,800	2,950	2,900	3,000	3,100	3,250	3,400	3,500	3,650	3,800
Maximum expenditure	3,200	3,250	3,300							
Minimum expenditure	2,400	2,500	2,550							

Short to Medium Term Impacts

Impacts that contribute to economic growth and productivity

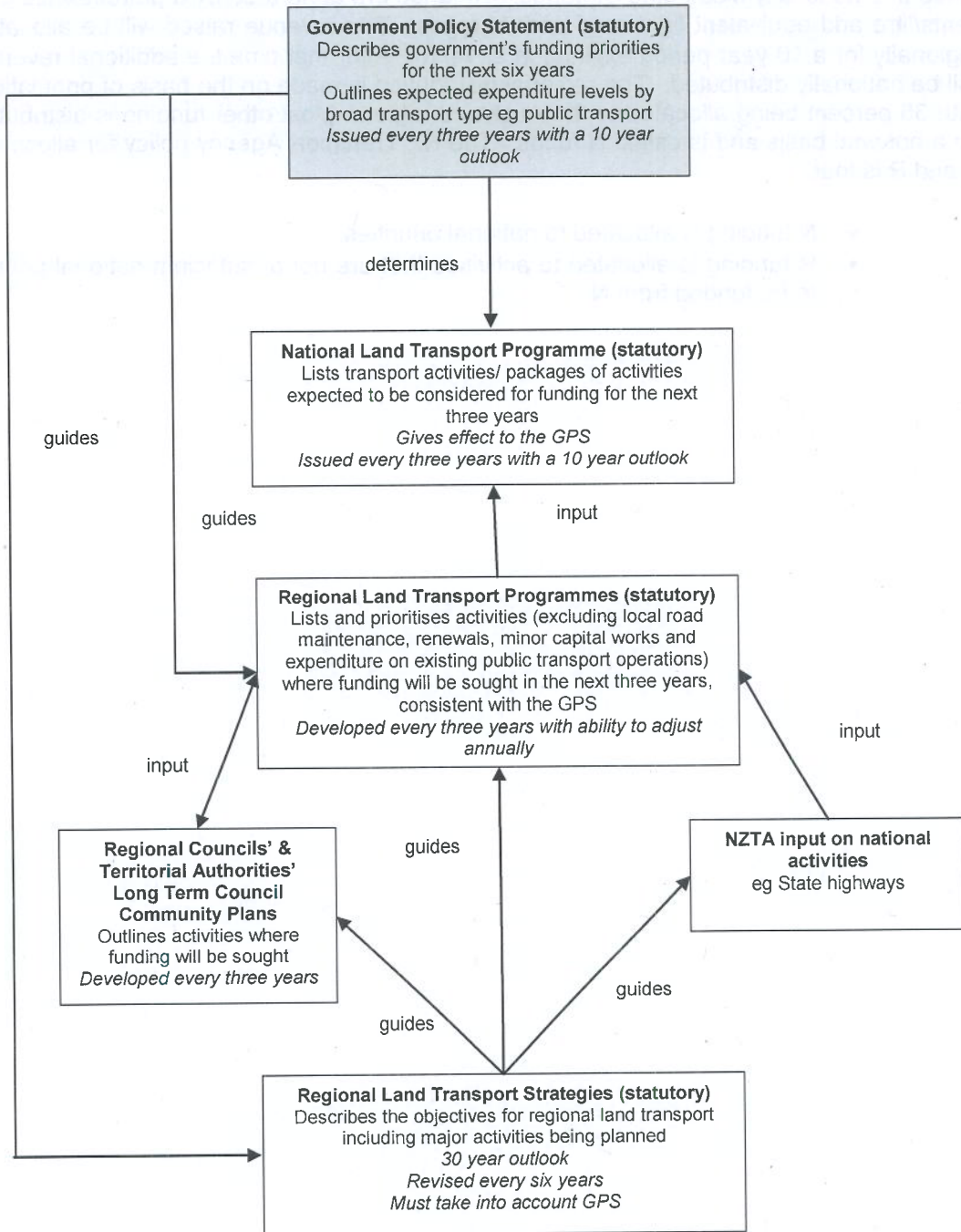
- Improvements in the provision of infrastructure and services that enhance transport efficiency and lower the cost of transportation through:
 - Improvements in journey time reliability
 - Easing of severe congestion
 - More efficient freight supply chains
 - Better use of existing transport capacity
- Better access to markets, employment and areas that contribute to economic growth
- A secure and resilient transport network

Other impacts

- Reductions in deaths and serious injuries as a result of road crashes
- More transport choices, particularly for those with limited access to a car
- Reductions in adverse environmental effects from land transport
- Contributions to positive health outcomes.

Figure 1 overleaf illustrates how the GPS links with other land transport planning and funding documents.

FIGURE 1: LAND TRANSPORT PLANNING AND FUNDING DOCUMENTS



N & R Funding

Funding is distributed by the NZ Transport Agency as either regionally distributed 'R' funds and nationally distributed 'N' funds. 'R' funds are generated by a petrol excise of 5 cents/litre and equivalent light road user charges. The revenue raised will be allocated regionally for a 10 year period expiring in 2014/15. After that time the additional revenue will be nationally distributed. The regional distribution is made on the basis of population, with 35 percent being allocated to the Auckland region. Most other funding is distributed on a national basis and is called N funds. The NZ Transport Agency policy for allocating N and R is that:

- N funding is allocated to national priorities
- R funding is allocated to activities that are not of sufficient national priority to be funded from N.